

ISSUE DATE: June 20, 1995

DOCKET NO. P-415,421/CP-93-666

ORDER ADOPTING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
Joel Jacobs  
Marshall Johnson  
Dee Knaak

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition for Extended Area  
Service from Richmond to the Local Calling  
Area of Cold Spring/St. Cloud

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**PROCEDURAL HISTORY**

On July 20, 1993, subscribers in the Richmond exchange submitted a petition requesting extended area service (EAS) to the Cold Spring and St. Cloud exchanges. Richmond is served by Melrose Telephone Company (Melrose); Cold Spring and St. Cloud are served by US WEST Communications, Inc. (US WEST). Cold Spring and St. Cloud are adjacent and have EAS to each other; the exchanges are thus considered a local calling area.

On October 22, 1993, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES. In that Order the Commission found that the petition had fulfilled the first two of three statutory EAS criteria--adjacency of the exchanges and sufficient traffic volume. The Commission ordered the telephone companies to submit cost studies and proposed rates so that the Commission might determine rates for polling.

Between December 21, 1993, and April 19, 1995, the telephone companies and the Department of Public Service (the Department) submitted their proposed rates and various revisions and supplements.

On May 25, 1994, and May 4, 1995, the Department filed comments regarding the proposed rates.

On June 20, 1994, Melrose filed a request that the Commission consider a 50%/50% cost allocation between the petitioning and petitioned exchanges.

On June 5, 1995, the Department filed revised proposed rates for the Cold Spring/St. Cloud local calling area. The filing, which reflects an agreement between the Department and US WEST, includes adjustments for revised access line counts.

On June 6, 1995, the matter came before the Commission for consideration.

## **FINDINGS AND CONCLUSIONS**

### **I. THE COST STUDIES**

The Commission finds that the cost studies submitted by Melrose and US WEST conform to Commission requirements and are acceptable.

### **II. COST ALLOCATION BETWEEN THE PETITIONING AND THE PETITIONED EXCHANGE**

In determining the proper cost allocations for EAS rate additives, the Commission must weigh the relative burdens and benefits to the petitioning exchange and the petitioned local calling area, the size of the exchanges, and financial impact.

In this proceeding, the petitioning exchange has 1,530 access lines, the Cold Spring exchange has 2,539 access lines, and the St. Cloud exchange has 47,638. While Richmond and Cold Spring are thus fairly close in size, St. Cloud is significantly larger than Richmond. The rate proposals filed by the companies show that very small increments in cost to Cold Spring and St. Cloud subscribers result in relatively large rate reductions for Richmond subscribers.

Considered as a whole, these factors indicate that a 60%/40% cost allocation between the petitioning exchange and the petitioned local calling area is the most equitable choice. This allocation allows the petitioning exchange to assume the greater part of the burden as it gains the benefit of access to a significantly larger local calling area. The 60%/40% choice ensures that Cold Spring, which is in the general size category of the petitioning exchange, will not be unduly burdened by cost. At the same time, this allocation allows a fair share of the costs to fall on the relatively large aggregate number of Cold Spring/St. Cloud subscribers. The Commission will adopt EAS rates reflecting the 60%/40% cost allocation.

### **III. COST ALLOCATION BETWEEN THE EXCHANGES IN THE PETITIONED LOCAL CALLING AREA**

When subscribers seek EAS to a local calling area (in contrast to a single exchange), the Commission often must determine the proper cost allocation between the exchanges which constitute the local calling area. Alternative cost allocations are often presented using the

following three methods:

**stand alone method**--costs are allocated as if there were separate routes from the petitioning exchange to each of the petitioned exchanges in the local calling area (here, Cold Spring and St. Cloud)

**relative access method**--costs are allocated on the basis of the number of access lines in each petitioned exchange

**relative traffic method**--costs are allocated on the basis of the proportion of the traffic load between the petitioning exchange and each of the petitioned exchanges

In this case, the Department considered alternative rate calculations using the relative access line method, the relative traffic method, and a hybrid it termed a relative traffic per access line method. Dissatisfied with the rate results of these calculations, the Department finally filed proposed rates using a 30%/70% cost allocation between Cold Spring and St. Cloud, based upon the Department's opinion of the relative value of this EAS petition to the two exchanges. US WEST, on the other hand, filed proposed rates based on a straight allocation of costs across total access lines in the Cold Spring/St. Cloud local calling area.

The Commission will adopt US WEST's allocation of costs between exchanges in the petitioned local calling area in this proceeding.<sup>1</sup> The Commission approved this method under a similar set of facts in the recent Nickerson to Carlton/Duluth EAS proceeding.<sup>2</sup> Using US WEST's straight allocation of costs by access lines allows equal costs to fall upon Cold Spring and St. Cloud subscribers. The Commission will adopt US WEST's proposed rates for the 40% of costs allocated to the Cold Spring/St. Cloud local calling area.

### **ORDER**

1. The Commission accepts US WEST's and Melrose's cost studies and adopts the following EAS rate additives:

RICHMOND

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<sup>1</sup> The Commission is unwilling at this stage in the proceedings to adopt the Department's new emphasis on value for cost allocations between petitioned exchanges. The Commission remains open to further consideration of this methodology if it is supported in future proceedings.

<sup>2</sup> In the Matter of a Petition for Extended Area Service from Nickerson to the Local Calling Area of Carlton/Duluth, Docket No. P-407,421/CP-93-846, ORDER ACCEPTING COST STUDIES AND SETTING RATES FOR POLLING (May 24, 1995).

Residence One Party	\$5.05
Residence One Party-Seasonal	5.05
Business One Party	7.57
Business One Party-Seasonal	7.57
Business PBX, Key, Trunk	11.36
Semi-public Pay Telephone	7.57
Customer-owned Pay Telephone	9.59
School Classroom Service	6.31

#### COLD SPRING/ST. CLOUD

Residence One Party	\$0.08
Residence Two Party	0.07
Business One Party	0.21
Trunk	0.28
Semi-pub	0.21

2. Melrose Telephone Company shall:
  - a. cooperate fully with Commission Staff and contractors to conduct a poll of all access lines in the Richmond exchange;
  - b. provide useable, deliverable addresses for all access lines in a format and according to a time frame established by Commission Staff;
  - c. provide proof of the accuracy of the customer list as requested by Commission Staff;
  - d. provide a list of Richmond subscribers as of the date specified by Commission Staff for polling the Richmond exchange.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)